



CITY COUNCIL

Finance Committee

**Monday, July 2, 2007
Meeting Report**

Committee Members in Attendance: M. Goodman-Hinnershitz, Chair, J. Waltman, S. Fuhs

Others Attending: D. Cieniewicz, A. Mukerji, C. Younger, L. Churchill, D. Cituk, L. Heimback (Herbein & Co), L. Kelleher, L. Churchill

Ms. Goodman-Hinnershitz called the meeting to order at 5:00p.m.

I. External Audit

Linda Heimback, from Herbein & Co., distributed a draft copy of the results of the 2006 External Audit. She stated that the audit proceed much smoother than in the previous year. She warned at although the process went more smoothly, the Accounting Department still has much work to do. She stressed the need for the City to wean itself from one-time financial hits. She reported that the City has a budget surplus of \$8.4 million dollars, resulting from some one-time financial benefits approved at the end of 2006.

Ms. Heimback reported that the following weaknesses were identified:

- **Utility Billing**
Numerous bills were generated with significant errors. Although the problem was corrected without documentation or an appropriate audit trail. Herbein suggests that RAWA employ a financial person to post, review and verify bills before they go out. They also suggested that the City create a Utility Billing Office.
- **CDBG**
Improved communications to improve the filing of IDIS and HUD reporting and the draw down and reporting of program income. Herbein suggests we create procedures to ensure accuracy in this area.

- IT
As several employees are working on separate projects, documentation on tests and changes should be performed and retained to ensure accuracy of the final product. Herbein also suggests that projects be prioritized and changes evaluated by someone with a coordinator with a financial background.
- Liquid Fuels
Herbein suggests timely filing of the Liquid Fuels reports to avoid unnecessary delays in the draw down of Liquid Fuels Funds. They also suggest that the City Auditor assist with the preparation of this report.

II. Redevelopment Authority Audit

This audit was first requested by Council President Spencer at the second regular meeting in March 2007 and by Councilor Fuhs at the second regular meeting in May 2007.

Mr. Cituk stated that he had discussed the need for an audit with Finance Director Ryan Hottenstein approximately one month ago. He stated that Mr. Hottenstein drafted a memorandum to City Council immediately after that conversation. He explained that the request for an audit stemmed from questions raised by new Board members on the Redevelopment Authority. The Redevelopment Authority now receives monthly financial reports and it is believed that their concerns have been addressed.

Mr. Mukerji stated that the Redevelopment Authority members have further questions about bond and debt concerns. However, these issues can be addressed through sessions with Ms. Heimback from Herbein & Co.

Mr. Cituk and Ms. Cieniewicz explained that many of the Board's questions stemmed from their unfamiliarity with government accounting standards and the role of the Reading Redevelopment Authority.

III. CDBG Allocation Plan

Mr. Mukerji explained that due to HUD's credit line test in early October the City must spend the unallocated funds by the end of September. He explained that the Administration will propose the purchase of 2-4 fire trucks which will spend down the unallocated funds and put the City in compliance with the HUD credit line test. He stated that the projects listed on the agenda (installation of water meters, street paving, park memorial lighting, streetscape improvements, curb/sidewalk replacement) are not currently being considered by the Administration.

IV. Tax Exempt Properties

Mr. Mukerji displayed a map showing the KOZ areas and other large exempt properties (government, school, hospital, church, etc) within the City of Reading. He stated that approximately 30% of all City properties are tax exempt.

Mr. Waltman asked Ms. Kelleher to explain what she learned in discussion with the Berks County Assessment Office.

Ms. Kelleher explained that while doing due diligence for the Total Family Christian Center on Centre Ave she learned that although the Total Family Christian Center had not received a zoning permit to operate as a church, they had received exemption status from the County to operate as a church. She explained that she contacted the Assessment Office to inquire about the process used by the County and learned that no one from the City attends the exemption hearing. Therefore, the request was approved. When asking how the City is notified about upcoming exemption hearings, she was told that a notice is sent to the Chief Clerk in the Tax Office. Ms. Kelleher stated that she next contacted the Tax Office to find out what is done with the notices received from the County Assessment Office. She learned that staff was instructed to simply file the document and not distribute it to Council or the Solicitor. She stated that she asked the Tax Chief Clerk to send copies of the notices to the Council office so monitoring can begin. The same request was also made to the County Assessment Office.

Mr. Waltman agreed with the need for Council to receive copies of these notices and asked Mr. Churchill to make sure the Council office receives such copies. He stressed the need for the City to begin challenging exemption applications. He also asked the Solicitor to research the City's ability to apply a cap on the number of exempt properties within the City limits.

The Committee next discussed tax exempt agencies that have expanded to leased space. Ms. Kelleher stated that some exempt organizations lease their buildings or office space. As an example she noted the Rockland Center is owned by Albright College, an exempt organization. However, Albright leases office space in the building to physicians, laboratories, physical therapy providers, Senator O'Pake, and others. She also added that several residential properties owned by Albright are leased to faculty members. As another example she noted the YMCA who leases office space to organizations and runs a restaurant.

The Committee asked the Solicitor and Finance Director to learn more about a tax exempt property's ability to lease building space and earn untaxed revenue.

The Finance Committee next discussed the need for improved outreach to tax exempt properties for payment in lieu of taxes. The need for better monitoring of tax exempt properties was also noted. As an example, the Committee inquired if the status of Total Family Christian Center would change if they do not receive zoning approval to operate a church in the 1700 block of Centre Ave.

V. RAWA Tapping Fees

The Finance Committee asked Council staff to draft a letter requesting an explanation of RAWA's tapping fees.

VI. Budget Survey and Budget Meetings

The Committee reviewed the Budget Survey attached to the agenda. Council staff was asked to send the survey out to City residents in the water bills and to post the survey on the website.

Ms. Kelleher inquired if Council would like to hold budget hearing as was done two years ago. She reported that in 2005 Council did four hearings, one in each City quadrant. Attendance was poorest in the southwestern and southeastern quadrants and the largest in the northeast and northwest quadrants. The Finance Committee suggested holding the hearing at BCTV on Thursday, August 30. Ms. Kelleher was asked to make the necessary arrangements and advertisements.

VII. Housing Permit

Mr. Waltman noted the need to compare 2005/2006 zoning and housing permits. Mr. Churchill replied that this information can be obtained after Labor Day.

Council went into a brief Executive Session about the Housing Permit Ordinance due to the potential for litigation by REIA. It was noted that during the Housing Permit meetings with REIA and RBAR, several litigation threats were made.

When Council reconvened in open session, Mr. Waltman noted the need for Council to define the process that would deal with properties that do not having zoning permits for rental use. He suggested developing a process using a temporary housing permit that will allow a phased approach to holding conditional use hearings for conversions.

Mr. Fuhs noted his difficulty in denying zoning permits for existing rental properties. He expressed his belief that these properties should be grandfathered until they are sold or transferred.

Mr. Waltman disagreed expressing the belief that all properties should be required to obtain conditional use permits for rental conversion.

There was a discussion on the pros and cons of requiring conditional use hearings for all properties. It was agreed that a temporary permit should be issued to all existing rental properties until a conditional use hearing is convened. All also agreed with the need to consider each case individually.

Mr. Waltman went over the bullet points developed at the meeting with the Administration on Tuesday, June 10.

Mr. Waltman noted the need to build a wholesome process that will serve all equally.

Ms. Goodman-Hinnershitz noted the need to build a plan that will protect the housing market from being overloaded.

Mr. Waltman expressed the belief that the over-densification of rental properties in neighborhoods has caused a steep decline in single family living in Reading.

The Finance Committee meeting adjourned.

Respectfully submitted by,

Linda Kelleher
City Clerk